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SENATE TAXATION  
EXHIBIT NO. 1  
DATE 3-5-2013  
BILL NO. SB 295

Testimony For Senate Bill 295 Repeal Oil and Gas Tax Holiday

Chairman Tutvedt and members of the Senate Taxation committee:

Thank you for the opportunity to address the merits of Senate Bill 295: Repeal of the Oil and Gas Tax Holiday. As Board chairman of the Birney Elementary School District #3, I feel passage of this bill to be a critical part of the educational funding overhaul that this legislature is considering and the senate has endorsed (SB175). The additional revenues the repeal will generate will help offset the additional funding impacts caused by oil and gas operations and, also, get it into the state coffers in a timely manner. If school funding is to be determined by oil and gas revenues, it is important that the amount collected is adequate to cover the cost of education in non-affected areas and, also, the additional costs that districts face when their enrollment is suddenly increased by a transient population with its own unique challenges. Finding available housing for teachers in impacted areas on teachers' salaries can be challenging for districts and teachers. Our area experienced the coal bed methane boom during the early 2000's and we have now seen the decline. Soon the Otter Creek Mine project could radically change the enrollment of our school system.

Neighboring states (North Dakota and Wyoming) have higher tax rates on oil and gas than Montana and have plenty of gas and oil production. Some of these states have price triggers where if the price of oil or gas falls below a threshold figure, then the tax is reduced to encourage production during low pricing periods. This approach makes more sense than the Holiday that is now in place. The Bakken is a good example of an oil production area where most of the recoverable oil (we estimate 57%) is pumped during the initial life of the well. Production typically wanes after the first year. Montana is losing a lot of revenue by not collecting any revenue during this critical phase of production. Whether the money ends up in the education fund through SB175 or as part of the general fund, which is now the case, Montana could definitely benefit from this additional revenue to help deal with the associated impacts that oil and gas development contribute to our environment. With impacts to our schools, communities, or other infrastructure (roads, sewers, utilities, safety, health care) and other resources such as our water, air and soils, we need to make sure that we are generating enough income from this industry to cover the costs that come with it. Passage of Senate Bill 295 will surely help with this dilemma.

Sincerely,  
Terry Punt